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SUBJECT: GOR LEADERS TAKE HARD PUBLIC STANCE ON CHLORINE
BAN ON POULTRY

REF: MOSCOW 3054

Classified By: ECON M/C Matthias Mitman for reasons 1.4 b&d.

Summary

1. (SBU) On January 1, a Russian resolution banning the use of chlorine treatments for poultry processing effectively a USD 800 million in annual U.S. poultry exports to Russia. On the eve of a USTR-USDA delegation visit for negotiations on the issue, various GOR officials have made strong public comments on the ban. Comments from Prime Minister Putin, First Vice Prime Minister Viktor Zubkov and Head of Federal Consumer Protection Service Gennady Onishchenko add to challenges that experts from U.S. and Russia will have to overcome at talks the week of January 18. End Summary

Background

2. (SBU) On January 1, Resolution 33 "On the Requirements for Poultry, Poultry Meat and Processed Poultry Products" effectively banned U.S. poultry from the Russian market. Russia is an USD 800 million annual market for U.S. chicken producers. The Resolution bans the use of water solutions for handling poultry carcasses that contain chlorine in amounts exceeding the Russian requirements for drinking water (0.3-0.5 ppm). This requirement is similar to the chlorine standard the European Union uses (reftel). Nearly all poultry processors in the U.S. use a chlorine -based treatment process. Russia imports 950,000 tons of poultry meat, including 750,000 tons from the U.S. The Russian domestic poultry industry provides 3.5 million tons. Industry experts note that 75% of Russian poultry processors still use chlorine.

3. (U) Media reported that during the first few working days of January 2010 the wholesale price on U.S. leg quarters jumped to 68 rubles (USD 2.3) per kilogram (up 20%), while Russian leg quarter prices went up to 65 rubles (USD 2.2) per kilogram (up 12-15%). With this average 15% increase in poultry prices since the beginning of the year, Russian consumers, particularly those with low-incomes have already been adversely affected.

Public Defense of the Russian Position

4. (SBU) On the eve of a visit by a USTR-USDA delegation, led by Agriculture U/S Jim Miller and A/USTR for Agricultural Affairs James Murphy, to negotiate a solution to this trade dispute, various high level GOR officials have been making strong public statements defending the Russian position. On January 14, Prime Minister Putin noted that the introduction

of sanitary norms on poultry meat production was announced in May 2008 providing industry with enough lead-time to prepare.

He claimed Russia had warned Washington of the new rules well in advance, but the U.S. did not adopt the necessary measures to remedy the situation. The Prime Minister explained that the solution for poultry treatment should contain chlorine in an amount not to exceed its content in tap water. This process will require modification, changes and investments but "nothing excessive" on the part of Russian and foreign processors. Putin was quoted as saying: "we did not ask anything special and these rules are already in effect in Europe."

15. (C) Putin stated that Russia is ready to seek other suppliers of poultry, if the current foreign suppliers are "unwilling or unable" to meet Russia's security requirements.

Voicing the same opinion, Deputy PM Zubkov said that the GOR is currently negotiating with several foreign manufacturers to fill possible gaps of poultry meat volume. According to him, the necessary volumes can be supplied by South America, Europe and the Middle East but he declined to name specific countries. (Note: On January 14, Yuriy Ushakov, advisor to PM Putin, told U/S Burns that Turkish Prime Minister Erdogan already expressed interest in supplying poultry to Russia. End Note.) Putin also said that Russia would gradually replace imported poultry with domestic production and could be completely self-sufficient in four or five years.

16. (U) Putin rejected suggestions that the ban was political in nature, claiming that Russia had simply adopted regulations that were already in effect throughout the European Union. He stressed that the decision aims only to

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protect human health. He demanded that companies involved in the production and purchasing of poultry meat for Russia avoid spreading fears of increased prices and urged producers to make timely investments into equipment upgrades.

17. (U) Gennady Onishchenko, the head of the Federal Consumer Protection Service stated in the press that the procedure used by U.S. producers for cooling and disinfecting chicken by immersion in chlorinated water leads to the contamination of the chicken and is dangerous for human health. He claimed that Russia did not ban U.S. chicken and that if poultry would be treated according to the Russian laws nobody would object. U.S. poultry producers have argued in response that there is no scientific evidence that using chlorinated water is unsafe and that the process leaves little to no chlorine residue.

Comment

18. (C) Putin, Zubkov and Onishchenko's comments add to challenges the U.S. delegation will have to overcome at talks next week. The comments are also exacerbating fears in the Russian public regarding the availability of the cheapest protein on the market and the safety of U.S. products. Putin's argument that Russia should develop its own poultry sector and become self-sufficient, is questionable, however, and may be more for public consumption.

19. (C) The GOR delegation led by Onishchenko is unlikely to cede much ground to the U.S. during the upcoming talks, given the PM's statements. Post continues to raise the importance of resolving this trade irritant at senior GOR levels, including by visiting U/S Bill Burns w/ Dep PM Shuvalov (septel) on January 14. We have already requested minister-level meetings for the visiting U.S. delegation to reinforce the U.S. position.
Rubin